

14V - DEBT PREPAYMENT

Operational Summary

Description:

To reduce the General Fund debt burden. Currently there is 976.4 million in outstanding in General Fund debt, of this amount \$873.6 million is from the bankruptcy recovery. By the end of FY 2003-04 the General Fund debt burden will be reduced by \$46.1 million and bankruptcy related debt will be reduced by \$39.9 million, through scheduled debt service payments.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans, corresponding budgets and bankruptcy litigation settlements have added money to this fund. The County has redeemed or defeased \$363.6 million in outstanding debt since 1998.

Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Reduction of debt releases scarce County general purpose revenues for more productive uses. Although the 2002 Strategic Financial Plan assumed further reduction in the 1995 Refunding Recovery Bond principal, no additional reduction has taken place. Recent historically low interest rates have made early redemption of additional debt economically unfeasible.
- The interest on the cash in this fund is retained by the fund. However, because anticipated debt reduction has not taken place, this fund will transfer \$1.2 million during FY 02-03 to the General Fund, Agency 100.

The next target for reduction or defeasance are the outstanding 1995 Refunding Recovery Bonds (see also Fund 15P) which have a current balance of \$240.1 million. Interest earned in this fund will be credited or transferred to the General Fund 100.

At a Glance:

Total FY 2002-2003 Projected Expend + Encumb:	1,250,000
Total Recommended FY 2003-2004 Budget:	93,884,709
Percent of County General Fund:	N/A
Total Employees:	0.00

Budget Summary

Plan for Support of the County's Strategic Priorities:

The 2003 Strategic Financial Plan approved by the Board on March 4, 2003 does not provide for adding additional monies to this fund. The Board also did not want to use the money in this fund to fill shortfalls in County operating programs. Consequently, the \$93.8 million in the fund will remain and

will be used to pay for early redemption of the 1995 Recovery Bonds if and when that strategy is in the best long-range interests of the County General Fund.

Proposed Budget and History:

Sources and Uses	FY 2001-2002 Actual	FY 2002-2003 Budget As of 3/31/03	FY 2002-2003 Projected ⁽¹⁾ At 6/30/03	FY 2003-2004 Recommended	Change from FY 2002-2003 Projected	
					Amount	Percent
Total Revenues	59,782,716	95,134,709	95,134,709	93,884,709	(1,250,000)	-1.31
Total Requirements	1,366,712	95,134,709	1,250,000	93,884,709	92,634,709	7,410.78
Balance	58,416,004	0	93,884,709	0	(93,884,709)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2002-2003 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment in the Appendix on page 632.